

MOODY'S INVESTORS SERVICE

Rating Action: Moody's Downgrades Wright State University to Baa2 from A2; Outlook Negative

02 May 2017

New York, May 02, 2017 -- Summary Rating Rationale

Moody's Investors Service has downgraded Wright State University, OH's (WSU) \$68 million of outstanding General Receipts bonds to Baa2 from A2. The outlook is negative. This concludes the review for downgrade initiated March 23, 2017. The downgrade is driven by WSU's severe financial deterioration in a short period of time, with significant operating deficits in FY 2016 and projected for FY 2017 resulting in substantial reduction in liquidity. Management is implementing a comprehensive expense reduction plan to restore fiscal balance in FY 2018. However, with a relatively inflexible expense base, realizing adequate savings to align with revenues will prove challenging. Should the university not accomplish its expense realignment plan, it will continue to have deficit operations and potential further draw downs on liquidity, which could trigger additional downward rating pressure.

The Baa2 favorably incorporates WSU's regionally important role as a low-cost public university serving the Dayton region, with good scale, solid fundraising, diverse revenue, and a predictable debt structure. It also incorporates the university's relationship with the State of Ohio (Aa1 stable), which has implemented enhanced monitoring of the university's financial condition.

Rating Outlook

The negative outlook acknowledges WSU's severe financial stress, reflected by diminishing liquidity and large operating deficits. It also incorporates the challenges of executing upon a comprehensive plan to substantially reduce operating expenses given multiple constraints.

Factors that Could Lead to an Upgrade

Sustained improvement in cash flow and debt service coverage

Material improvement in flexible reserves relative to debt and operations

Factors that Could Lead to a Downgrade

Failure to achieve substantial improvement in financial operations for FY 2018 and beyond

Reduction in liquidity below the \$10 million currently projected at the end of July 2017

Legal Security

All bonds are secured by a broad pledge of the university's General Receipts, which includes all legally available revenue of the university, except money raised by taxation, state appropriations, or restricted gifts. There are no debt service reserve funds.

Use of Proceeds

Not applicable.

Obligor Profile

Wright State University is a moderate size regional public university with its main campus situated just outside of Dayton, Ohio. As a comprehensive university, WSU offers a broad menu of undergraduate, graduate and professional level offerings, including a School of Medicine. In fall 2016, the university served a total headcount of nearly 18,000 students.

Methodology

The principal methodology used in this rating was Global Higher Education published in November 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Christopher Collins
Lead Analyst
Higher Education
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Susan Fitzgerald
Additional Contact
Higher Education
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653



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